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SUBJECT: Austrian Wood-Pellet Industry Seeking US Joint Ventures

¶1. SUMMARY: Austria's wood-pellet industry has approached Post, seeking to promote joint ventures and other commercial cooperation in advanced biomass heating. END SUMMARY.

¶2. On December 4, Embassy representatives met with Christian Rakos, head of ProPellets (an Austrian association that promotes wood-pellet heating systems). The industry is looking for opportunities to expand cooperation with U.S. producers, distributors, and equipment makers -- such as joint ventures between Austrian and U.S. pellet companies and informational campaigns on the advantages of wood biomass as a sustainable (and arguably clean) energy source. Rakos said that ProPellets regularly receives inquiries from U.S. investment funds; "ProPellets" is already in contact with its U.S. counterpart, the Pellet Fuels Institute.

¶3. Austrian promoters say wood pellets represent an economical and green source of heating for regions with sustainable forestry. Wood pellets are a relatively efficient by-product of lumber mills: making pellets requires only 2 percent of the energy content of the pellets themselves. Furthermore, modern pellet furnaces emit 95 percent less particulate matter than standard wood furnaces. Wood pellets are considered a carbon-friendly energy source, because CO2 emitted by burning pellets is comparable to the CO2 which would have resulted from decomposition (and assuming that harvested wood comes from sustainable forests).

¶4. Rakos claimed that all of Austria could be heated using wood products without depleting its forests (COMMENT: Post cannot evaluate that claim). Austria is one of the largest pellet producers -- second in Europe behind Sweden, according to ProPellet -- and a technology leader in household and small/medium-sized installations. Twelve percent of Austria's primary energy consumption now comes from woody biomass -- mainly in the form of heat, including in district-heating. The wood pellet industry is growing 20-30% per annum, and 80% of the production is exported. The industry produced about 725,000 tons in 2009.

¶5. ProPellet sees the Northeast as the most promising U.S. region for pellet heating. Rakos opined that biomass supply potential for pellet production is "enormous" in the United States, especially after new technology arrives which will enable pellet production from straw and other agricultural by-products. Potential new applications include heating poultry farms and start-up for coal-fired power stations (replacing crude-oil in the startup process).

¶6. Rakos opined that company-level partnerships are more productive than academic research projects in the sector, which often lack market relevance (commenting that publicly-funded basic research in renewable energy often produces "pipe dreams"). Since the sector is dispersed and relatively small in the U.S., ProPellet advocates new political or legislative initiatives to establish regulatory certainty and stimulate private research.

COMMENT
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¶7. With extensive forest cover (47% of Austria's territory), a long history of (mostly) sustainable forest management, and expensive

fossil fuels, Austria has seen widespread commercial adoption of pellets for heating. Since the 1990s, the biomass industry here has made substantial progress in reducing particulate emissions and improving efficiency. A number of municipalities have become "energy independent" in part through wood-pellet heating, most prominent among them the "European Center for Renewable Energy" area in Gussing (southern Austria, near the Hungarian border). If Washington agencies and/or U.S. companies/associations are interested in cooperation with Austrian counterparts, Embassy Vienna stands ready to facilitate. END COMMENT.

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